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UNCLAS KINSHASA 001763

SIPDIS

SENSITIVE

AF/C FOR T. GALLAGHER, DEPT FOR OPIC/R.ABIZAID

E.O. 12958: N/A

TAGS: [ECON](#) [ENV](#) [CG](#) [OPIC](#)

SUBJECT: EMBASSY COMMENTS ON ALEXANDER'S GROUP OPIC APPLICATION

1. (U) Sensitive but Unclassified. Privileged Business Information. Please Protect Accordingly.

2. (SBU) Embassy Kinshasa has reviewed Alexander's Group Telecom's (ASG - of NY, New York) applications for OPIC political risk insurance. ASG has been present in the DRC since 1999. It was previously in a joint-venture with LAM Telecom, a small Congolese telecommunications company, to provide international connectivity. There are still pending debts owed to ASG from this venture and LAM with no revenue due to its current state of inactivity likely does not have the means to pay the debt. Regarding ASG's application for political risk insurance, the Embassy finds no inconsistencies that would lead us to believe that ASG should be considered ineligible. Commercial disputes in the DRC often take a political route to resolution, however, raising the possibility of future political difficulties for ASG.

3. (SBU) Furthermore, commercial prospects for establishing a new GSM network in the DRC are not promising. As noted by ASG in its business plan, 90 percent of the telecom market of the DRC is held by Vodacom and Celtel. Subscribers consider both cost and network size when choosing a cellular provider. Hence, Vodacom and Celtel which both cover over 60 cities and villages have a competitive advantage. Small operators currently hold less than 10 percent market share and have not had success in expanding their networks, despite lower prices (for example Congo-Chine Telecom).

4. (SBU) The following responds to the specific questions listed in OPIC's standard memo for Embassy comments:

- a. Post does not foresee any negative public or host government sentiment toward the projects.
- b. The projects are unlikely to have negative impacts on U.S. policy and interests in the DRC.
- c. Post has no knowledge of accusations of improprieties on the part of ASG.
- d. The project involves the construction of GSM telecommunications towers which to the best of Post's knowledge have no serious associated environmental effects.
- e. This project would not conflict with the DRC's economic objectives or its economic welfare.
- f. Post is unaware of potential uneconomic use of raw materials or labor.
- g. As the project does not involve GDRC action beyond licensing and taxation and does not have the GDRC as a target market, Post does not foresee any adverse effects on the DRC's balance of payments.

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